

Referral.
7/23/19.

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TO: Detroit City Council

FROM: David Whitaker, Director
Legislative Policy Division 

DATE: July 17, 2019

RE: Report on Gaming Tax Revenue through June 2019

For Council's review, the attached schedules present the gaming tax revenue activity through June 2019 and prior fiscal years.

Through the twelfth month of the fiscal year the casinos reported a combined gross gaming receipts increase of 2.65% compared to the prior fiscal year. Broken out by casino, MGM's gross receipts are up by 3.66%, Motor City's are up by 1.13% and Greektown's are up by 3.01%, compared with the prior fiscal year.

In the twelfth month of the fiscal year, the City collected \$13.98 million in gaming tax revenue, which was 1.35% lower than June 2018, as reflected in Chart 1. Chart 2 "Monthly Detroit Gaming Tax Collections" through a twelve-month moving average trend line shows an increase of 2.68% since last June among the combined casino tax revenues. There is a surplus of \$3.036 million compared to budget for the fiscal year for a gaming revenue total of \$183.815 million, a 2.70% increase over last year.

Adjusted gross casino gaming receipts were reported at \$117.5 million for the month of June 2019 as shown in Chart 1A. This represented a 1.35% drop compared with June 2018. Chart 2A "Monthly Detroit Gaming Receipts" through a twelve-month moving average trend line shows growth of 2.62% among the combined casino receipts which totaled \$1.45 billion for the fiscal year.

MGM and Motor City are each paying 12.9% of adjusted gross gaming receipts to the City, while Greektown Casino is paying 11.9% of adjusted gross gaming receipts and is broken out as follows. By state law, all casinos are now paying 10.9% of adjusted gross gaming receipts to the City as wagering tax. The casinos also have an additional 1% payment because of the 2002 amended development agreement with the City. Additionally, if a casino reaches \$400 million in adjusted gross gaming receipts in a calendar year, like MGM and Motor City, then an additional 1% is paid to the City per the amended development agreement of 2002.

There is not a complete one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases when comparing prior years, due to two factors. First, there is the fact that MGM and Motor City casinos began paying the City 1% less due to the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the City is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. P.A. 306 also allowed that when the permanent casino had been certified by the state gaming board as having operated for 30 consecutive days and once the City determined the project was complete, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the City where the casino is being operated. Greektown continued to pay the 6% additional wagering tax – 4% to the state, 2% to the City – until its permanent status was agreed to by the Administration and approved by the State Gaming Commission, which occurred on March 9, 2010.

Second, the amended development agreement of August 2002 between the City and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in adjusted gross gaming receipts in a calendar year. For the thirteenth year, MGM and Motor City each did exceed \$400 million in the calendar year and increased gaming tax collections by \$11.09 million between August and December. MGM reached \$400 million in August, a month earlier than prior years, and Motor City reached \$400 million in October similar to last year. MGM's additional 1% totaled \$6.19 million and Motor City's totaled \$4.89 million.

Attachments (6)

cc: Auditor General
 David Massaron, CFO
 John Naglick, Finance Director
 Tanya Stoudemire, Budget Director
 Renee Short, Budget Manager
 Steve Watson, Budget Manager
 James George, Agency CFO
 Stephanie Washington, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

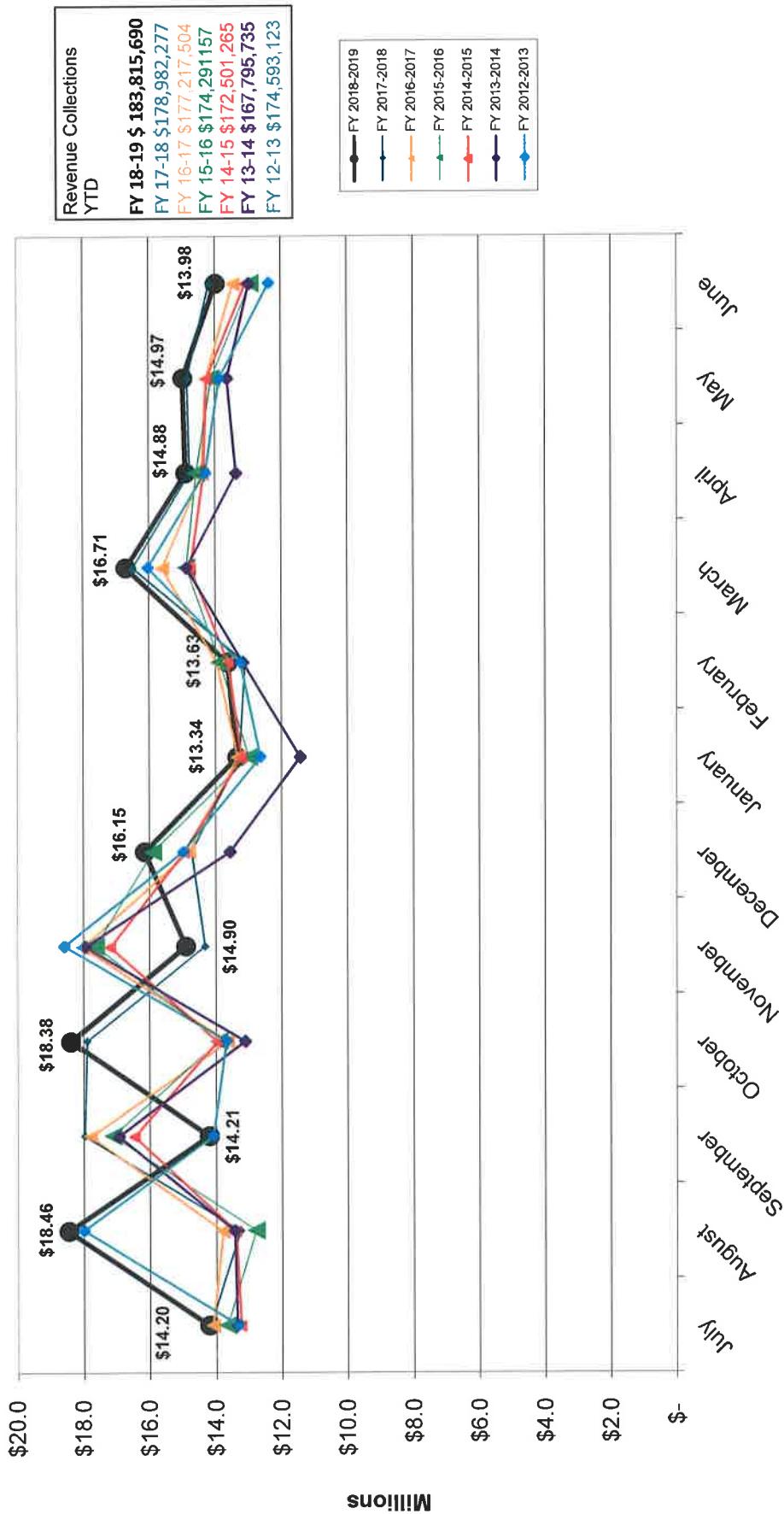


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

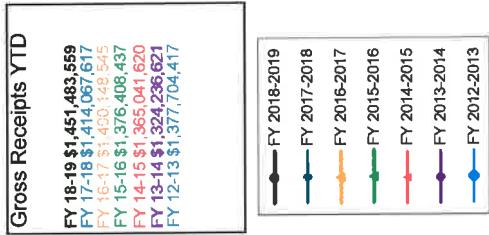
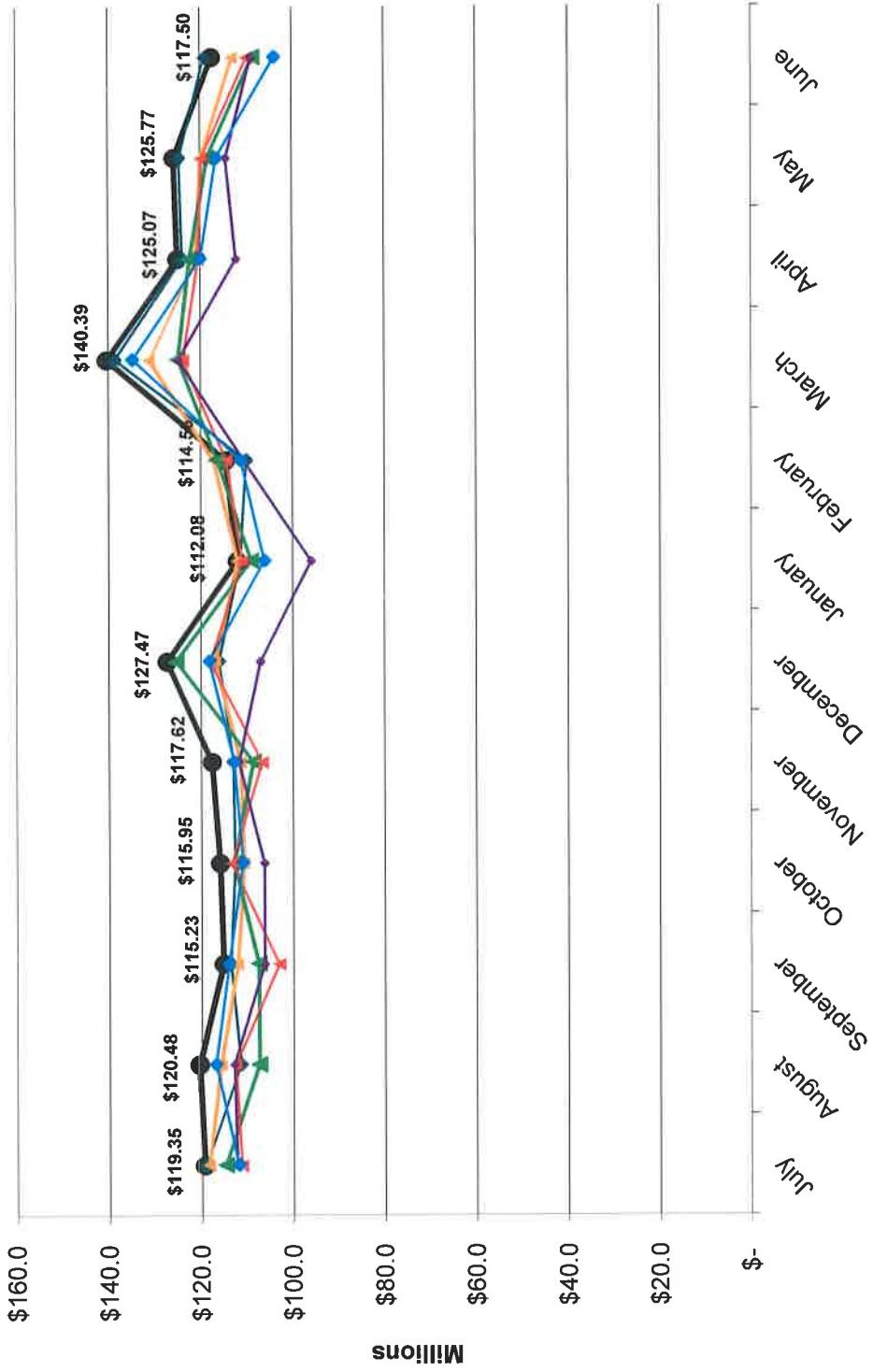


Chart 2

Monthly Detroit Gaming Tax Collection History

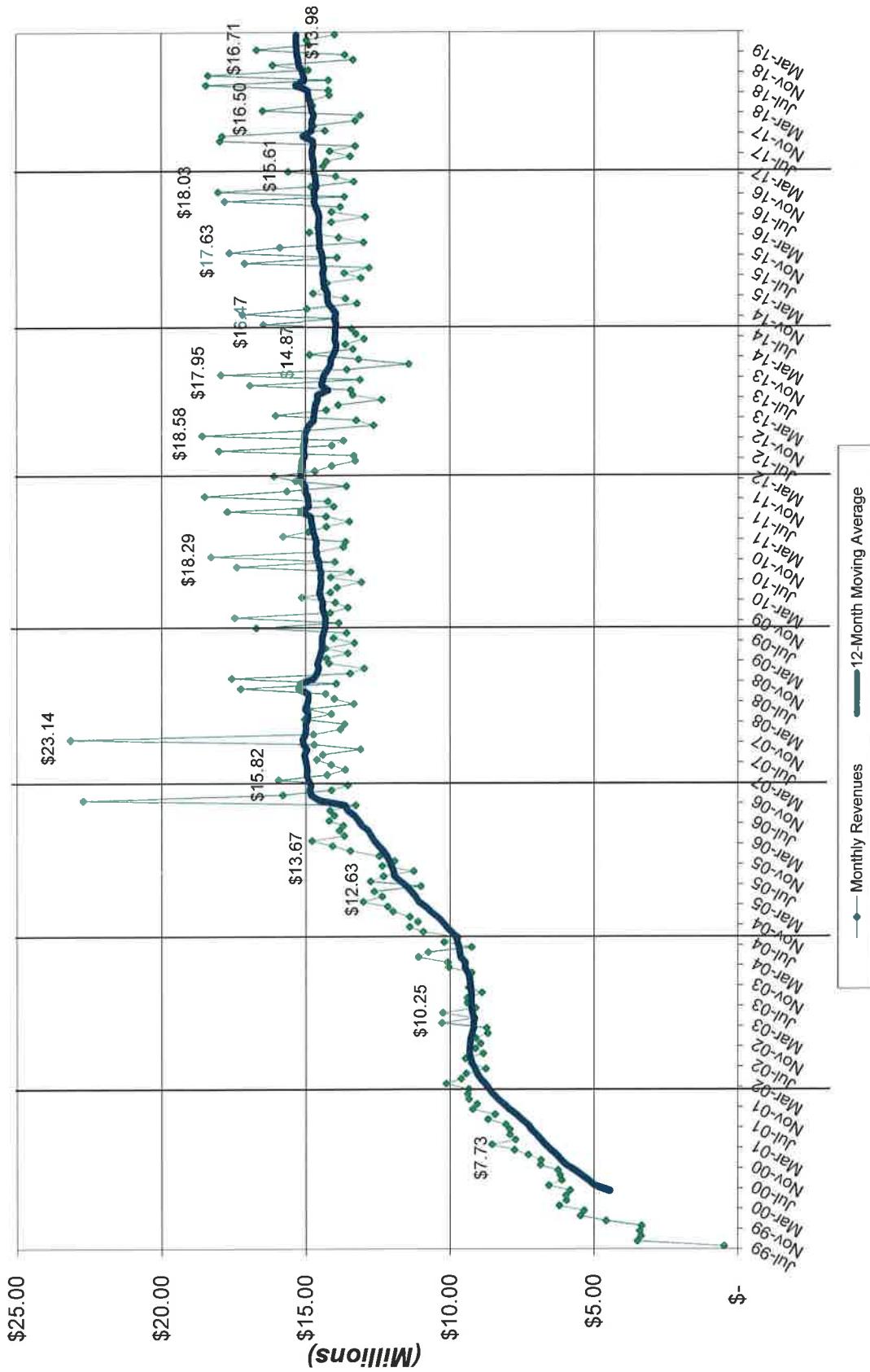
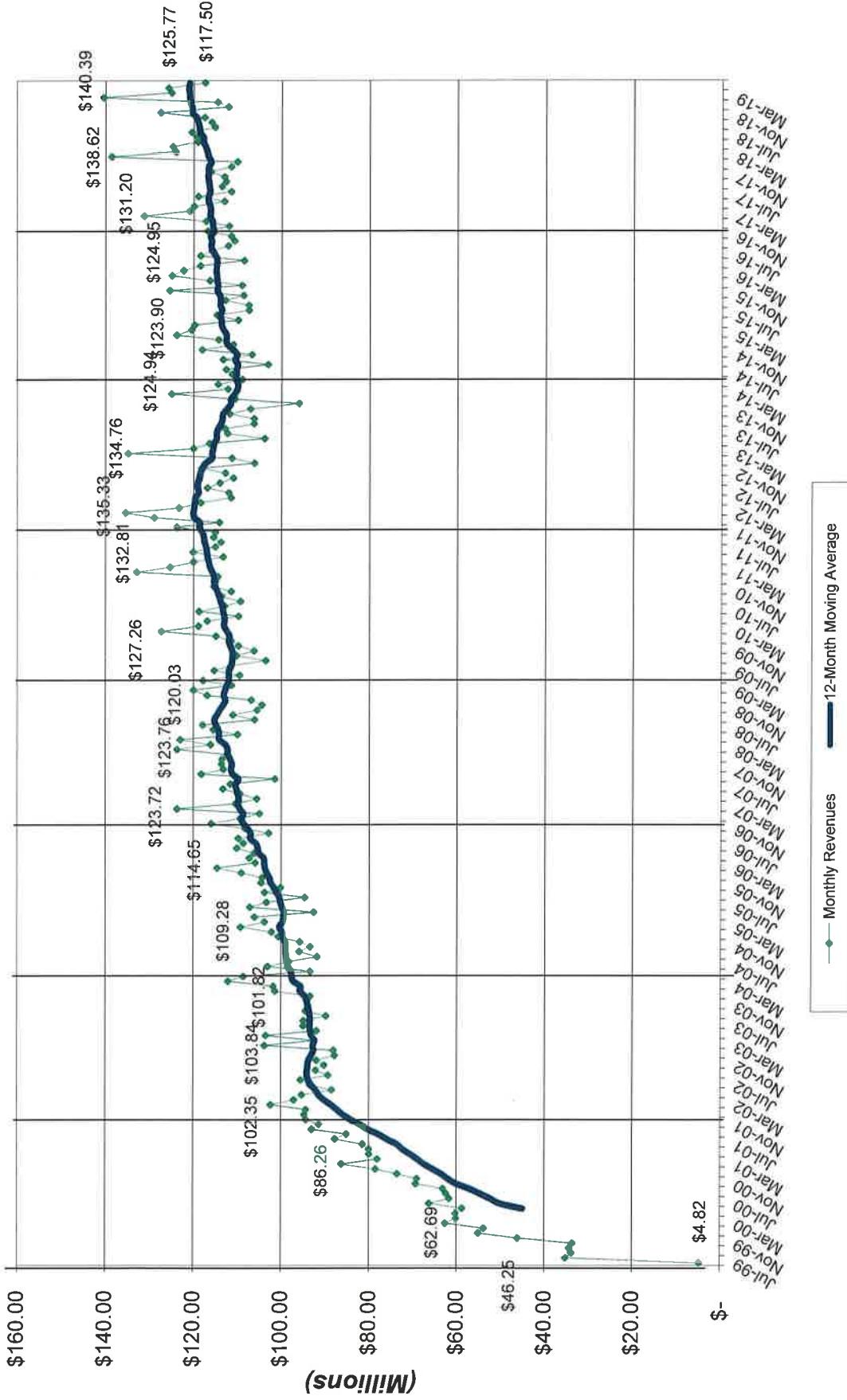


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipt History



Cumulative Actuals Adjusted Gross Revenue through June 30

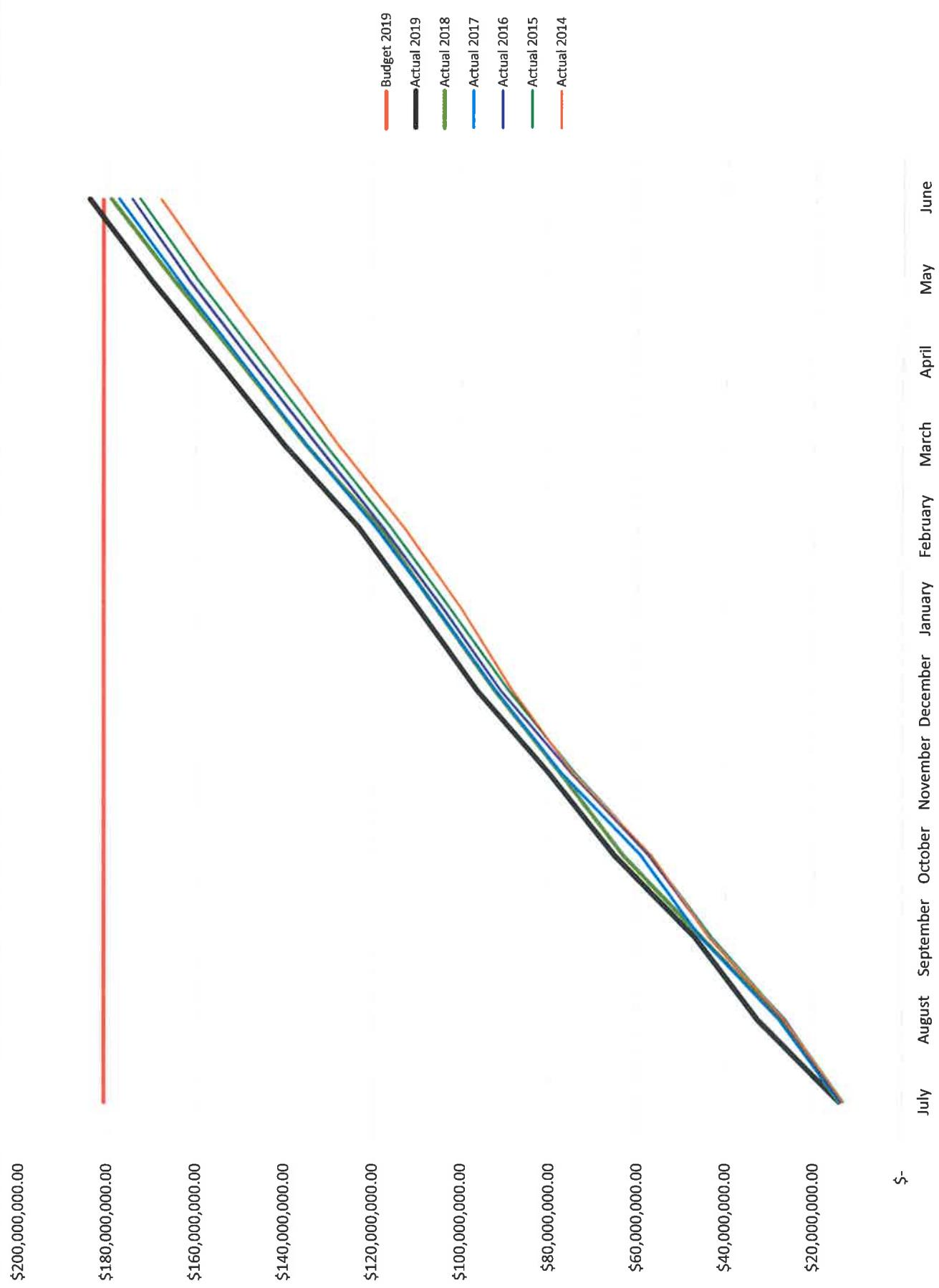


Table 1

Wagering Tax History and Tax Projections - All Casinos